



Brussels, 20.11.2023  
COM(2023) 712 final

**REPORT FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT AND  
THE COUNCIL**

**on the activities of the IFRS Foundation, EFRAG and PIOB in 2022**

# **REPORT FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT AND THE COUNCIL**

## **on the activities of the IFRS Foundation, EFRAG and PIOB in 2022**

### **1. PURPOSE AND SCOPE OF THE REPORT**

On 28 April 2021, the European Union adopted the Single Market Programme.<sup>1</sup> It provides an integrated package to support and strengthen the governance of the single market with EUR 4.21 billion over the period of 2021 to 2027. The Single Market Programme Regulation foresees a budgetary envelope of EUR 220.5 million for standardisation processes, of which EUR 61 million is allocated to support the development of high-quality international financial and non-financial reporting and auditing standards and to facilitate their integration into Union law.

Under the Single Market Programme, the Commission continues<sup>2</sup> to provide grants to three organisations in the field of financial reporting and auditing: 1) the International Financial Reporting Standards Foundation (IFRS Foundation) as regards the development of International Financial Reporting Standards (IFRS Accounting Standards), 2) EFRAG, and 3) the Public Interest Oversight Board (PIOB). These three organisations play an important role in ensuring the quality, reliability and availability of public information about companies, financial but also sustainability information in corporate reports. This information serves to promote efficient capital markets, to protect the interest of companies, investors and other providers of capital to companies and to promote corporate social responsibility including sustainability.

Article 18(3) of Regulation (EU) 2021/690 establishing the Single Market Programme requires the Commission to prepare an annual report, to be transmitted to the European Parliament and the Council, on the activity of the IFRS Foundation as regards the development of International Financial Reporting Standards, as well as, in general, of the PIOB and of the EFRAG. This report fulfils that obligation and summarizes the activities of these three organisations in 2022.

### **2. IFRS FOUNDATION**

#### **2.1. GOVERNANCE**

The IFRS Foundation is a non-profit organisation under the general corporation law of the State of Delaware (United States) and headquartered in London (United Kingdom). It was established to develop, promote and facilitate the use of a single set of high-quality, understandable, enforceable and globally recognised accounting and sustainability disclosures standards.

---

<sup>1</sup> Regulation (EU) 2021/690 establishing a programme for the internal market, and the competitiveness of enterprises), OJ L 153, 3.5.2021, p. 1–47.

<sup>2</sup> Grants were in past provided under Regulation (EU) No 258/2014 of the European Parliament and of the Council of 3 April 2014 establishing a Union programme to support specific activities in the field of financial reporting and auditing for the period of 2014-20 and repealing Decision No 716/2009/EC (OJ, L 105, 8.4.2014, p. 1.).

The IFRS Foundation hosts the International Accounting Standards Board (IASB), which is responsible for the development of IFRS Accounting Standards, and the new International Sustainability Standards Board (ISSB), which is responsible for the development of Sustainability Disclosure Standards. The two boards are separate but complementary.

Under Regulation (EU) No 1606/2002<sup>3</sup> of the European Parliament and of the Council on the application of international accounting standards ('IAS Regulation'), the Commission may endorse new or amended IFRS Accounting Standards considering EFRAG's endorsement advice. To ensure high quality IFRS Accounting Standards that are not contrary to the EU public good, the Commission provides financial support to the IFRS Foundation for the development of IFRS Accounting Standards.

The IFRS Foundation is governed by a Board of 22 Trustees that is collectively responsible for general oversight and appointments to the IASB and to the ISSB. The Trustees designation is subject to an apportionment by geographical origin and to approval by the Monitoring Board<sup>4</sup>, which is designed to provide a link with public authorities and of which the Commission is a member.

The IASB and ISSB each consist of 14 members from varied national and professional backgrounds, including academia, accountancy, sustainability, investment, preparers, market or financial regulation and standard-setting. IASB and ISSB members are nominated for a five-year term, renewable once. Andreas Barckow chairs the IASB and Emmanuel Faber the ISSB.

The annual EU funding of the IFRS Foundation is for IASB related activities on IFRS Accounting Standards and not for developing IFRS Sustainability Disclosure Standards. Therefore, this report does not describe the activities of the ISSB.

The Trustees also appoint the 14 members of the IFRS Interpretation Committee, dedicated to interpreting the application of IFRS Accounting Standards and providing guidance on financial reporting issues, and the members of the IFRS Advisory Council.

## **2.2 ACTIVITIES**

### **2.2.1 STANDARD SETTINGS**

The IASB published its Feedback Statement on the *Third Agenda Consultation* in July 2022, outlining its priorities and work activities for the period 2022-2026. The three main strategic priorities are 1) to maintain the strategic direction and balance of the IASB's activities while increasing slightly efforts to develop digital financial reporting and improving the understandability and accessibility of IFRS Accounting Standards; 2) to progress current projects; and 3) to add intangibles, statement of cash flows and climate-related risk in financial statements to the work plan.

In September 2022, the IASB issued amendments to International Financial Reporting Standard (IFRS) 16 *Leases*, which specifies how the seller-lessee subsequently measures sale and leaseback transactions.

---

<sup>3</sup> OJ L 243, 11.9.2002, p. 1.

<sup>4</sup> The Monitoring Board, of which the Commission is a member, consists of public authorities responsible for setting the form and content of financial reporting.

In October 2022, the IASB issued amendments to International Accounting Standard (IAS) 1 *Presentation of Financial Statements* to specify how a company classifies a liability arising from a loan arrangement with covenants as current or non-current.

In November 2022, the IASB decided to launch an accelerated project to propose narrow-scope amendments to IAS 12 *Income Taxes* as a result of international tax reforms. These amendments will introduce a temporary exception from accounting for deferred taxes arising from the implementation of the OECD's Pillar Two model rules, as well as targeted disclosures for affected entities.

Finally, the IFRS Foundation updated the IFRS taxonomy in order to reflect the implications of new standards and amendments.<sup>5</sup>

A complete overview of the standard-setting activities, including the work of the IFRS Interpretations Committee, is available on the IFRS Foundation's website.<sup>6</sup>

### **2.2.2. RESEARCH PROJECTS**

The IASB continued its discussions on the *Primary Financial Statements* project during 2022, which aims to enhance transparency and improve comparability of performance reporting globally. The IASB expects to issue this new IFRS Accounting Standard in the first half of 2024.

In May 2022, the IASB added the project *Dynamic Risk Management* to its standard-setting programme. The scope of the new Accounting Standard is to develop requirements for macro-hedging of interest rate risk in the banking book and to replace the current hedging approach of IAS 39 *Financial Instruments: Recognition and Measurement*, which the EU subjected to a carve-out in the EU to allow macro-hedging. The IASB expects to issue an Exposure Draft in 2025.

In June 2022, the IASB completed its *Post-implementation Review (PIR) of IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities* and concluded that the requirements of these three standards are working as intended and are meeting their objectives. The IASB assessed five matters to be of low priority, which could be explored if identified as priorities in the next agenda consultation.

In July 2022, the IASB decided to start the *PIR of IFRS 9 Financial Instruments – Impairment* and discussed the project plan for the first phase by identifying matters to be examined. The request for information was published in May 2023.

In September 2022, the IASB launched the *PIR of IFRS 15 Revenue from Contracts with Customers*. The objective is to publish a request for information in June 2023.

In December 2022, the IASB decided to add the project *Business Combinations – Disclosures, Goodwill and Impairment* to its standard-setting programme after much research, stakeholder engagement and analysis. The new Accounting Standard should provide users of financial

---

<sup>5</sup> The financing provided by the European Union also supports the timely update of the IFRS taxonomy, which in turn serves as an input to the European Single Electronic Format.

<sup>6</sup> IFRS Foundation work plan: <https://www.ifrs.org/projects/work-plan/>; and completed projects: <https://www.ifrs.org/projects/completed-projects/>.

statements with more useful information about mergers and acquisitions and subsequent accounting for goodwill by retaining the impairment-only model.

By the end of 2022, the IASB also completed its *PIR of IFRS 9 Financial Instruments – Classification and Measurement* concluded that these classification and measurement requirements are working as intended. Responding to the feedback to this PIR, the IASB prioritised a narrow-scope standard-setting project to address specified classification and measurement requirements, including those that could affect the accounting for ESG-linked financial assets. Furthermore, the IASB decided to add a project on amortised cost measurement to its research pipeline.

A complete overview of the research projects is available on the IFRS Foundation's website.<sup>7</sup>

## **2.3. TRANSPARENCY AND ACCOUNTABILITY**

### **2.3.1. TRANSPARENCY RULES**

All meetings of the IASB and the IFRS Interpretation Committee are open to the public. The meeting agendas are published in advance and the meetings themselves can be watched online. In addition, the IASB publishes quarterly meetings with stakeholders on its website.<sup>8</sup>

### **2.3.2. REPRESENTATION OF STAKEHOLDERS**

The IFRS Foundation constitution requires the appointment of six Trustees from Europe, as well as for America and Asia-Oceania plus one Trustee from Africa and three Trustees from any area subject to maintaining an overall geographical balance. Similarly, the criteria for appointment as board member of the IASB require four members from each region, one member from Africa and one member from any area.

On 31 December 2022, the IFRS Advisory Council comprised 51 organisations including the European Central Bank (ECB), the European Securities and Markets Authority (ESMA) and the European financial reporting advisory group EFRAG. The Commission participates as an observer.

### **2.3.3. PREVENTION OF CONFLICT OF INTERESTS**

The Trustees of the IFRS Foundation are appointed for a three-year term that can be renewed once, and they must commit to act in the public interest. In principle, a Trustee and a Monitoring Board Member cannot be employed by the same organisation.

All IASB members are full-time and must sever all employment relationships and ties that might affect their independence. Neither secondment from an employer nor rights to reintegrate with the former employer are allowed.

---

<sup>7</sup> IFRS Foundation work plan: <https://www.ifrs.org/projects/work-plan/>; and completed projects: <https://www.ifrs.org/projects/completed-projects/>.

<sup>8</sup> <https://www.ifrs.org/groups/international-accounting-standards-board/stakeholder-engagement-register/>.

#### **2.3.4. BREAKDOWN OF FUNDING**

In 2022, the IFRS Foundation received a EUR 3.85 million grant from the Commission for IASB related activities, representing 19.4% of the total contributions for IASB related activities received. The Commission continued to be the largest contributor, although the relative share of the Commission and Member States funding went down compared to 2021 (from 36.5% to 34.4%).

A breakdown of funding for IASB related activities by main geographical areas and international accounting networks shows that the EU and its Member States made 34.4% of the total contributions, Asia-Oceania 35.1%, international accounting networks 14.7%, Americas 5.7%, Africa 0% and others 10.1%.

The downward trend in contributions for IASB related activities to the IFRS Foundation in recent years has continued in 2022. The reported contributions were slightly down by 1.6% (GBP 270,000) as a whole, however with significant variations between contributors. The decrease is primarily based on a 13% cut in the Commission's grant funding and a suspension of direct funding by Norway and Russia.

The total retained surplus of the IFRS Foundation as at 31 December 2022 amounted to GBP 49 million. The increase in the amount of retained surplus of GBP 8.29 million in 2022 was largely due to the cash received as part of the consolidation with the Value Reporting Foundation (VRF)<sup>9</sup>.

### **3. EFRAG**

#### **3.1. GOVERNANCE**

EFRAG is a publicly and privately funded organisation working in the European public interest and has the legal form of an AISBL (Belgian international non-profit organisation). Since 2022, EFRAG has a dual mission.

In the area of financial reporting, EFRAG's mission is to serve the European public interest by developing and promoting European views in the field of financial reporting and ensuring that these views are properly considered in the IASB's standard-setting process and in related international debates. EFRAG provides advice to the Commission on whether new (or revised) IFRS Accounting Standards should be endorsed by the EU, based on the criteria of IAS Regulation<sup>10</sup>, including the true and fair view principle and whether they would be conducive to the European public good. Alongside, EFRAG performs also pro-active accounting research work.

In 2022 following up on a request from Commissioner McGuinness in May 2021<sup>11</sup>, EFRAG amended its organisation and governance structure based on the recommendation of the chair of the EFRAG Board. EFRAG established a Financial Reporting Pillar continuing EFRAG's original mandate, and a Sustainability Reporting Pillar to develop draft European Sustainability

---

<sup>9</sup> The Value Reporting Foundation was a global non-profit organisation that offered a comprehensive suite of resources designed to help businesses and investors develop a shared understanding of enterprise value—how it is created, preserved or eroded over time.

<sup>10</sup> Please see footnote 4.

<sup>11</sup> <https://www.efrag.org/Assets/Download?assetUrl=/sites/webpublishing/SiteAssets/210512%2520Commissioner%2520McGuinness%2520to%2520EFRAG%2520on%2520sustainability.pdf>

Reporting Standards (ESRS) as technical advice to the European Commission in view of their adoption as delegated acts by the Commission. For the Financial Reporting Pillar, EFRAG's Member Organisations comprise eight European Stakeholder Organisations, mainly industry and investor associations, and ten National Accounting Standard setting organisations.

With the new Sustainability Reporting Pillar, EFRAG expanded its membership base for sustainability reporting with three additional European stakeholder member organisations and eleven members from civil society organisations including NGOs, trade unions, academic and consumer organisations.

After public calls for candidates and a transparent selection process, EFRAG established the Sustainability Reporting Board (SRB) on 13 April 2022 and EFRAG Sustainability Reporting Technical Expert Group (SR TEG) on 25 April 2022. The previous EFRAG Board became the Financial Reporting Board (FRB) and the former EFRAG TEG became the Financial Reporting Financial Reporting Technical Expert Group (FR TEG).

On 15 November 2022, following nomination by the Commission in consultation with the European Parliament and Council, EFRAG appointed Mr Wolf Klinz former MEP, as chair of the FRB and Mr Patrick de Cambourg as chair of the SRB. Mr Hans Buysse succeeded Mr Gauzes as chair of EFRAG's Administrative Board.

EFRAG's Statutes and Internal Rules establish that the EFRAG Administrative Board is responsible for the due process oversight of all technical bodies of EFRAG. In doing so, it is supported by a Due Process Committee (DPC). The EFRAG DPC started its activities in March 2022 as part of the new two-pillar governance structure.

In December 2022, the Corporate Sustainability Reporting Directive<sup>12</sup> mandated EFRAG to provide technical advice on European Sustainability Reporting Standards (ESRS). In developing draft ESRS, EFRAG should align draft ESRS with other international standard setters, in particular the ISSB and GRI (the Global Reporting Initiative).

## **3.2 ACTIVITIES FINANCIAL REPORTING PILLAR**

### **3.2.1. ENDORSEMENT AND RESEARCH ACTIVITIES**

In 2022, EFRAG's work on financial reporting remained largely driven by the work programme of the IASB, the IFRS Interpretations Committee and the IFRS Foundation.

Before EFRAG issues a final endorsement advice on a new IFRS accounting standard or amendments to already existing IFRS Accounting Standards adopted by the IASB, EFRAG issues (draft) comment letters to the IASB and draft endorsement advice for the Commission. This robust due process allows stakeholders to express their views on EFRAG's positions.

In terms of output, EFRAG issued in 2022 one final endorsement advice on the amendment to IFRS 17 *Insurance Contracts* and IFRS 9 *Financial Instruments* "Comparative Information", two draft endorsement advice on the amendments to IFRS 16 *Leases* "Lease Liability in a Sale and Leaseback" and on the amendments to IAS 1 *Presentation of Financial Statements* "Non-current Liabilities with Covenants".

---

<sup>12</sup> OJ L322,16.12.2022, p. 15.

The EFRAG FRB also issued five final comment letters and 7 feedback statements, and published research papers on accounting for crypto assets and better information on intangibles.

In addition, EFRAG closely monitored important ongoing IASB projects that are expected to result in IASB standard setting requiring EU endorsement in 2024 or 2025. These projects include *Primary Financial Statements*, *Accounting for Regulatory Assets and Regulatory Liabilities*, *Business Combinations Disclosures*, and *Financial Instruments with Characteristics of Equity*. EFRAG organised during 2022 extensive outreach activities and roundtables to identify whether and how IASB considered accounting treatments would work for European constituents or pose application challenges. EFRAG then informed the IASB of issues faced by European stakeholders.

As a sign of good repute EFRAG has been granted the Chairmanship of the International Forum of Accounting Standard Setters (IFASS) (formerly known as National Standard-Setters). IFASS is a grouping of national accounting standard setters from around the world, plus other organisations that have a close involvement in corporate reporting issues.

Through its Academic Panel and Academic Network, EFRAG enhanced its cooperation with academics.

### **3.2.2. SUSTAINABILITY REPORTING PILLAR**

On 21 April 2021, the Commission adopted the CSRD proposal to revise and strengthen the provisions of the Non-Financial Reporting Directive<sup>13</sup>. The proposal was a key initiative of the EU sustainable finance agenda and important to meet the objectives of the European Green Deal. The Commission proposal, which was politically agreed by the European Parliament and the Council on 21 June 2022 envisaged the adoption of ESRS as delegated acts by the European Commission taking in to account the draft ESRS developed by EFRAG as technical advice, using proper due process, public oversight and transparency, and with the expertise of relevant stakeholders. The CSRD was adopted and published in the Official Journal in December 2022<sup>14</sup>.

The Project Task Force on European Sustainability Reporting Standards (PTF-ESRS) started in 2021 to develop the ESRS in project mode. To meet the timelines in the CSRD proposal, the PTF-ESRS started developing the initial set of draft ESRS in parallel with the legislative negotiations on the Commission proposal for the CSRD. The aim was to provide timely exposure drafts (EDs) to the EFRAG SRB to allow a proper public consultation on ESRS. On 28 April 2022, the EFRAG SRB issued the first set of 13 draft ESRS for public consultation.<sup>15</sup>

Underpinned by the political agreement on the CSRD in June 2022, the EFRAG SRB and SR TEG worked intensively on finalising draft ESRS. The newly formed EFRAG SRB and SR

---

<sup>13</sup> Proposal for a Directive of the European Parliament and of the Council amending Directive 2013/34/EU, Directive 2004/109/EC, Directive 2006/43/EC and Regulation (EU) No 537/2014, as regards corporate sustainability reporting, COM/2021/189 final.

<sup>14</sup> Directive (EU) 2022/2464 of the European Parliament and of the Council of 14 December 2022 amending Regulation (EU) No 537/2014, Directive 2004/109/EC, Directive 2006/43/EC and Directive 2013/34/EU, as regards corporate sustainability reporting (OJ L 322 of 16.12.2022, p. 15).

<sup>15</sup> <https://efrag.org/lab3>.



TEG held intense series of public meetings and organised preparation roundtables and outreach events on draft ESRS during the public consultation that ran from 30 April to 8 August 2022.

EFRAG received around 700 responses to the ESRS consultation from 19 EU Member States and EEA countries with most responses from France and Germany. Some responses were received from stakeholders outside the EU including Japan and the US. Following the public consultation, EFRAG made some important changes: replacing the rebuttable presumption approach by materiality assessment for most ESRS, deleting one cross cutting ESRS, significantly reducing the number of disclosure requirements and datapoints and put some transitional provisions in relation to value chain reporting.

The EFRAG SRB submitted the first set of 12 final draft ESRS to the European Commission on 20 November 2022, which the Commission adopted on 31 July 2023 after further simplification, improved proportionality and additional phase-ins.

In November 2022, EFRAG also launched two workstreams on standards for small, medium enterprises ('SMEs'). The first one stems from the CSRD to develop a simplified standard for listed SMEs, small banks and captive insurers (together "LSME"). The second workstream is outside the CSRD mandate and was triggered by market needs for a voluntary sustainability reporting standard for non-listed SMEs and micro-entities to support them with ESG requests from banks or value chain partners.

The EFRAG Digital Reporting Team has also started the XBRL taxonomy implementation project in November 2022. The goal is to deliver a complete ESRS XBRL taxonomy that enables digital tagging of the ESRS statements and enable users of the reports to consume machine-readable ESG data sets, as foreseen in the CSRD.

### **3.3. TRANSPARENCY AND ACCOUNTABILITY**

#### **3.3.1 TRANSPARENCY RULES**

EFRAG has a transparent public due process. Moreover, since March 2022, EFRAG established a DPC that supports the Administrative Board in monitoring that the EFRAG FRB and EFRAG SRB comply with EFRAG's due process procedures and internal rules. EFRAG's due process allows all European constituents to put forward their views for consideration by EFRAG. It ensures that the diversity of accounting and economic models and views in Europe are taken into account in determining EFRAG's positions, especially with regard to the endorsement of IFRS Accounting Standards and the development of ESRS.

As part of its due process, EFRAG publishes draft positions for consultation, undertakes field tests and other forms of effect analyses, organises outreach events (some of which are especially aimed at users) and undertakes surveys, publishes their results in feedback statements and then publishes its final positions. EFRAG contributes to evidence-based standard setting by undertaking quantitative studies that inform the discussion on EFRAG's comment letters and endorsement advice and which are gradually becoming a more important part of EFRAG's research work.

Meetings of the EFRAG FRB and EFRAG SRB, EFRAG FR TEG and EFRAG SR TEG and EFRAG Consultative Forum of Standard Setters (EFRAG CFSS) are held in public. The

agendas, supporting agenda papers and summaries of the meetings are published on EFRAG's website. Since March 2018, the meetings can also be watched online and recordings remain online for several months.

EFRAG maintains a public transparency register, which covers the meetings of the EFRAG FRB and EFRAG SRB Chairs, EFRAG FR TEG and EFRAG SR TEG Chairs and the EFRAG CEO.

### **3.3.2 REPRESENTATION AND ACCOUNTABILITY**

EFRAG strives for a proper geographical, professional background and gender balance in its Financial and Sustainability Reporting Boards, the corresponding Technical Expert Groups, its Working Groups and Advisory Panels, and the European Lab Steering Group and its project task forces. There is a limit for the number of members of the FRB and SRB and their TEGs with the same nationality and there are rules on professional background and gender balance.

EFRAG Board members are nominated by the EFRAG Member Organisations. The gender balance and geographic representation of the Financial and Sustainability Reporting Boards and corresponding TEGs was further improved during 2022.

### **3.3.3 PREVENTION OF CONFLICT OF INTERESTS**

EFRAG has a conflict of interest policy to underpin its public interest mandate, which is published on EFRAG's website.<sup>16</sup> EFRAG Board members and EFRAG staff confirm yearly their independence in a signed declaration.

### **3.3.4 CONTACTS WITH THE EUROPEAN PARLIAMENT AND MEMBER STATES**

EFRAG regularly attends meetings of the European Commission's Accounting Regulatory Committee to discuss outstanding issues with Member States' experts, in particular concerning the endorsement of IFRS Accounting Standards.

EFRAG has occasionally contacts with members of the European Parliament. On sustainability reporting, the European Parliament has set up a sustainability reporting team that regularly engages with EFRAG.

## **3.4 DIVERSIFICATION AND BUDGET**

For 2022, EFRAG's total operating costs were EUR 11 million, which included an estimated EUR 3.9 million contributions in kind funded by third parties. The funding fell EUR 50,000 short of the expenses. A loss was therefore deducted from the EFRAG's retained earnings of EUR 4.6 million as at end 2021.

The received contributions in kind include the time of members of the EFRAG FRB and SRB, the EFRAG FR and SR TEGs (only the chairs are paid), as well as temporary secondments to the EFRAG secretariat.

---

<sup>16</sup> [www.efrag.org](http://www.efrag.org).

In 2022, the Commission funded a maximum 60% of EFRAG's eligible costs. In 2022, the Commission grant was EUR 3.97 million. Other cash contributions on financial reporting came from European stakeholder organisations (EUR 615,000) and national stakeholder organisations (i.e. France, Germany, UK, Italy, Netherlands, Denmark, Spain, Sweden and Luxembourg) (EUR 1.525 million).

On sustainability reporting, European stakeholder organisations funded EUR 0.248 million, national sustainability organisations EUR 0.44 million and civil society organisations EUR 0.054 million. In addition, EFRAG received EUR 0.178 million ad hoc funding inter alia from the French standard setter and the European Contact Group of large audit firms and Accountancy Europe.

Ad hoc financing and reliance on contributions in kind are not a sustainable funding model commensurate with EFRAG's sustainability standard setting activities. Therefore, the Commission will for 2023 optimise the EU contribution within the confines on the EU budget and budget rules by splitting the operating grant into two activity grants for financial reporting and sustainability reporting activities with a significant higher co-funding percentage for sustainability reporting activities. This will contribute to satisfy EFRAG's structural funding needs.

## **4. PIOB**

### **4.1. GOVERNANCE**

The PIOB is the global independent oversight body that oversees the standard-setting process for the international audit, assurance, and ethics standards formulated by the international standard-setting boards: the International Auditing and Assurance Standards Board (IAASB) and the International Ethics Standards Board for Accountants (IESBA). Its main role is to ensure that IAASB and IESBA follow the due process for the development of standards and strategies, in line with the public interest framework. Oversight is carried out through continuous observations and follow-up by the PIOB Board and oversight staff of the standards under development by the two boards.

Within the context of implementation of the 2020 Monitoring Group reform<sup>17</sup>, the IAAS and IESBA have been moved to a new legal entity, the International Foundation for Ethics and Audit (IFEA) independent from the International Federation of Accountants IFAC. The IFEA is incorporated in the US, state of Delaware. IFEA has become operational at the end of November 2022, with a Board of Trustees consisting of six members. The PIOB continues to operate from Madrid and appoints four of these, including the Chair.<sup>18</sup>

The Monitoring Group, of which the Commission is a member, monitors how the PIOB carries out the oversight of the standard setting process and appoints the PIOB members (including the Chair).

### **4.2 ACTIVITIES**

---

<sup>17</sup> [https://www.iosco.org/about/monitoring\\_group/pdf/2020-07-MG-Paper-Strengthening-The-International-Audit-And-Ethics-Standard-Setting-System.pdf](https://www.iosco.org/about/monitoring_group/pdf/2020-07-MG-Paper-Strengthening-The-International-Audit-And-Ethics-Standard-Setting-System.pdf).

<sup>18</sup> See [www.ethicsandaudit.org](http://www.ethicsandaudit.org).

The PIOB reviewed and approved that the IAASB and the IESBA followed due process effectively and with proper regard for the public interest in the standard-setting activities, including the approval of 3 standards and the IAASB 2022-2023 Work Plan. Following the PIOB's establishment in November 2021 of the SSB Nominations Committee, the first cycle of applications and appointments to the IAASB and IESBA was completed in 2022. The Committee submitted its recommendations in summer 2022 which were approved by the PIOB in October.

On 7 October 2022, the PIOB held its 3rd Public Interest Workshop in Madrid for participants involved in sustainability reporting, providing assurance, use of non-financial reports -specially the investor community- regulatory bodies and standard-setters.<sup>19</sup>

On 29 June 2023, the PIOB published its 18<sup>th</sup> Public Report published which gives a full overview of the PIOB's activities.<sup>20</sup>

### **4.3. DIVERSIFICATION OF FUNDING**

The funding of the PIOB is designed to preserve its independence from the accounting profession in fact and in appearance. However, since its creation in 2005 and until 2010 when the Community funding programme established by Decision 716/2009/EC became operative, the PIOB was financed exclusively by IFAC. Since 2010, the European Union has been the second biggest donor. In 2022, PIOB's income amounted to EUR 2,191,120. The EU contribution was EUR 350,000 (or 15.97%), whereas IFAC contributed EUR 1,392,754 (or 63.56%), which is below the cap of two-thirds permitted by Article 12(3) of Regulation (EU) 2021/690. Other contributions came from the International Organization of Securities Commissions (IOSCO), the Bank for International Settlements (BIS), the International Forum of Independent Regulators (IFIAR), the UK Financial Reporting Council (FRC), the Swiss Federal Audit Oversight Authority, the Financial Supervisory Commission of Taiwan, while the Spanish government provides the Madrid office free. Further diversification of funds remains necessary, and together with the PIOB, the Monitoring Group is seeking other sponsors to further reduce the funding from the accounting profession, in particular the IFAC.

## **5. CONCLUSIONS**

The EU funding has been indispensable for the three beneficiaries (IFRS Foundation, EFRAG and PIOB). The EU funding enabled the IASB to develop high quality IFRS Accounting Standards. The EU funding also was essential for EFRAG to serve the European public interest by developing and promoting European views in the field of financial reporting and to develop European Sustainability Reporting Standards as technical advice to the European Commission. Finally, the EU funding helped the PIOB to safeguard the public interest in setting International Standards on Auditing.

---

<sup>19</sup> See <https://piobworkshop.org>.

<sup>20</sup> <https://piob.org/>